



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

January 12, 1983

SUBJECT: Rescheduling of Annual Production Loans

TO: All State Directors, Farmer Program Chiefs,
District Directors and County Supervisors

Some County Supervisors are rescheduling annual operating notes falling due January 1, 1983, revising the 1982 Farm and Home Plan and permitting borrowers to use proceeds from 1982 production for 1983 operating expenses. These actions have become necessary in many cases as the only way a borrower can continue in farming when loan funds are exhausted or discontinued loan authorities prevent further FmHA credit availability. Rescheduling of an annual operating note in order for a borrower to be able to continue farming operations is permitted under existing instructions when it is determined that the borrower is unable to obtain essential credit for annual production purposes either with or without a subordination and that such servicing action is necessary to protect the interests of the borrower and the Government.

Section 1951.33(b) of FmHA Instruction 1951-A sets forth general requirements for rescheduling and provides authority to the County Supervisor to take such action. Items 5 and 6 of this part of the instruction sets forth what I feel are basic requirements. These requirements are as follows:

"The county supervisor determines that the borrower is making satisfactory progress or will make satisfactory progress with revised repayment terms." I interpret this to mean that FmHA must determine that we would make an annual production loan if funds or authority were available and that the borrower is unable to obtain essential funds by a subordination or other means to continue the farming operation. Also, if FmHA is unable to provide all of the credit needed, the County Supervisor must obtain written verification that adequate credit is available through vendors or other sources to assure that the borrower can produce and harvest the crop.

"The borrower is cooperating in servicing the account and is maintaining security." This implies that security must be available and when only crops are available for security, the loan should be rescheduled for only one year. In order to maintain security servicing and assure funds are used as intended, a supervised bank account must be used. Each State Director must be sure State procedure is established to assure that the FmHA lien will carry over to any new crop being produced. The 1983 Farm and Home Plan must show planned use of funds and that all payments coming due can be paid.

EXPIRATION DATE: July 31, 1983

FILING INSTRUCTIONS: File
Preceding FmHA Instruction 1951-A



Farmers Home Administration is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

When loans are rescheduled for more than one year, repayment schedules should provide for at least the full amount of interest accruing on the rescheduled note to be paid annually.

Please provide individual review and guidance on rescheduling in complex cases to assure these authorities are properly administered. For additional information or clarification call William Krause at FTS 382-1632.



CHARLES W. SHUMAN
Administrator

Sent via Electronic Mail January 12, 1983 at 4:43 p.m. by MISD(IMPS).
A copy of this communication will be distributed by the Finance Office to all State, District and County Offices.